

Message Text

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45

ACTION ARA-20

INFO OCT-01 ADP-00 AGR-20 EB-11 COME-00 CIAE-00 DODE-00

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CIEP-02 OMB-01 RSR-01 SIL-01 LAB-06 AID-20 IGA-02

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R 181300Z AUG 73

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 2249

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

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GUATEMALA FOR ROCAP

SAN SALVADOR FOR AGATT

E. O. 11652: N/A

TAGS: ECON, EAGR, EIND, NU

SUBJECT: ECONOMIC/COMMERCIAL HIGHLIGHTS, AUGUST 1-15, 1973

CERP UNSCHEDULED REPORT

BEGIN UNCLASSIFIED BEGIN SUMMARY. THE MINISTRY OF
ECONOMY FORESHADOWED RISING GASOLINE AND FOOD PRICES
WHILE URGING MIDDLEMEN TO ABSORB PART OF THE INCREASES;
PREDICTED GDP RISE OF 2.8 PERCENT IN 1973 AND A
SUBSTANTIAL INCREASE IN TRADE; AND ENCOURAGED INCREASED
BASIC GRAIN PRODUCTION. HE ALSO ANNOUNCED INCREASED
INCEI MINIMUM PRICES. INSS INSCRIPTIONS, NOW AT 86
PERCENT OF PRE-EARTHQUAKE LEVEL, SUGGEST RECOVERY IN
EMPLOYMENT. BEAN PRICES SOAR WHILE CORN DROPS. BEEF PRO-
DUCTION UP. END SUMMARY.

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1. A. MINISTER OF ECONOMY'S PRESS CONFERENCE. IN A WIDE-RANGING PRESS CONFERENCE AUGUST 8, MINISTER OF ECONOMY, INDUSTRY AND COMMERCE, JUAN JOSE MARTINEZ, APPEARED TO BE PREPARING THE PUBLIC FOR INCREASES IN THE PRICES OF GASOLINE AND OTHER IMPORTED COMMODITIES, ESPECIALLY WHEAT FLOUR. HE SAID THAT IT IS SIMPLE REALITY THAT NICARAGUANS MUST PAY HIGHER PRICES IF THEY WANT TO CONTINUE QUOTE TO EAT BREAD AND CONSUME THE COMBUSTIBLES THAT WE IMPORT END QUOTE. WITH RESPECT TO PETROLEUM PRODUCTS, HE SAID THAT INCREASES WOULD NOT BE AUTHORIZED UNTIL A STUDY OF DISTRIBUTORS' INCOME HAD BEEN MADE. HE WOULD EXPECT DISTRIBUTORS TO ABSORB SOME OF THE REFINERY PRICE INCREASE AT THE EXPENSE OF PROFITS.

B. BEGIN LIMITED OFFICIAL USE COMMENT. MANAGER OF LOCAL ESSO REFINERY SUBSEQUENTLY TOLD EMBOFF THAT GETTING GOVERNMENT AUTHORIZATION FOR INCREASE REFINERY PRICES IS NO PROBLEM. HOWEVER, FOR PUBLIC RELATIONS REASONS, ESSO WAS WAITING FOR ANOTHER CA COUNTRY TO BE FIRST TO RAISE PRICES. END COMMENT, END LIMITED OFFICIAL USE.

C. BEGIN UNCLASSIFIED. EMPHASIZING HIS INTEREST IN PROTECTING THE CONSUMER, MARTINEZ ADDED THAT HE HAD TOLD THE CHAMBERS OF INDUSTRY AND COMMERCE THAT THEIR MEMBERS SHOULD REDUCE THEIR PROFIT MARGINS AND ABSORB SOME OF THE PRICE INCREASES OF IMPORTED PRODUCTS.

D. MARTINEZ SAID HE EXPECTED GDP WOULD INCREASE BY 2.8 PERCENT THIS YEAR AS COMPARED TO 1972. EARLIER IN THE YEAR, A DROP IN GDP HAD BEEN EXPECTED. THE MINISTER PREDICTED THAT THE AGRICULTURAL SECTOR, WHICH HAD NOT BEEN AFFECTED BY THE EARTHQUAKE, WOULD PRODUCE 5.5 PERCENT MORE THAN IN 1972. INDUSTRY, WHICH THE MINISTER CATEGORIZED AS QUOTE RECOVERING UNQUOTE, WOULD ONLY MAINTAIN ITS OUTPUT AT LAST YEAR'S LEVEL. HE ADDED THAT CONSTRUCTION WOULD NOT BE UP AS MUCH AS PREVIOUSLY EXPECTED BECAUSE OF THE TWO STRIKES. THE THIRD SECTOR OF THE ECONOMY, COMMERCE, WOULD PROBABLY SHOW ONLY A MINIMAL GAIN. HE ALSO SAID THE PRODUCTION OF ELECTRICITY WOULD DECREASE THIS YEAR.

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E. THE MINISTER PREDICTED THAT EXPORTS WILL REACH 278 MILLION DOLLARS IN 1973 (1972, 239.9) WHILE IMPORTS WILL RISE TO 277 MILLION (218.9). AMONG EXPORT CATEGORIES THAT WILL INCREASE ARE: (ALL FIGURES THAT FOLLOW REPRESENT MILLION DOLLARS, 1972 DATE IN PARENTHESIS) COTTON 64.3, (61.2); COFFEE 50, (33); MEAT 38.3, (35.5); CHEMICALS 15, (13.3); TEXTILES 5, (4.6); COTTON CAKE AND MEAL 5, (4.5); AND BANANAS 7 (3). MARTINEZ ESTIMATED THAT

EXPORTS TO CACM COUNTRIES WOULD RISE TO 59 - 60 MILLION DOLLARS (53.7) WHILE IMPORTS WOULD RISE TO 63 MILLION (60.2).

F. THE MINISTER AGAIN ENCOURAGE THE INCREASED PLANTING OF BASIC GRAINS AND ANNOUNCED THE FOLLOWING INCREASED PRICES IN INCEI'S MINIMUM GUARANTEED PRICES: WHITE CORN, 35 CORDOBAS PER CWTS; YELLOW CORN, 34; RED AND BLACK BEANS, 67, SORGHUM, 30; AND RICE, 28. INCEI WILL NO LONGER SET DIFFERENT PRICES FOR DIFFERENT GRADES, BASED ON HUMIDITY, BROKEN GRAINS, ETC., BUT WILL ONLY REQUIRE THAT THE PRODUCT BE CLEAN. MARTINEZ POINTED OUT THE NEW PRICES FOR CORN, BEANS AND SORGHUM WERE ALL BELOW PRESENT WORLD MARKET PRICES, BUT WERE DESIGNED TO GUARANTEE PLANTERS A REASONABLE INCOME.

2. EMPLOYMENT: (UNCLASSIFIED). THE NATIONAL SOCIAL SECURITY INSTITUTE (INSS) RECENTLY ANNOUNCED THAT INSCRIPTIONS IN THE MANAGUA AREA NOW EQUAL 86 PERCENT OF THE PRE-EARTHQUAKE LEVEL. INSS IS PRESENTLY RECEIVING INSURANCE PAYMENT FROM 53,742 EMPLOYEES IN THE PRIVATE SECTOR AND 8,622 PUBLIC EMPLOYEES IN THE MANAGUA AREA. THE COMPARABLE STATISTICS FOR BEFORE THE EARTHQUAKE WERE 62,716 AND 9,937. INSS PROVIDES RETIREMENT AND HEALTH INSURANCE TO WORKERS IN COMMERCE, INDUSTRY, CONSTRUCTION AND GOVERNMENT, BUT NOT TO DOMESTIC OR AGRICULTURAL EMPLOYEES. NEVERTHELESS, THE RECOVERY IN ITS INSCRIPTION LEVEL IS AN INDICATOR OF A SUBSTANTIAL RECOVERY IN EMPLOYMENT IN GENERAL IN THE MANAGUA AREA.

3. INDEX OF BASIC GRAIN PRICES (UNCLASSIFIED)

GRAIN INDEX OF PRICES

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	JULY	JUNE	JULY
	1972	1973	1973

CORN	99.10	232.25	207.70
BEANS	69.50	162.20	212.40
RICE	93.60	117.90	116.90
SORGHUM	N/A	171.75	N/A

4. MEAT PRODUCTION UP (UNCLASSIFIED) IFAGAN, ONE OF FOUR SLAUGHTERHOUSES THAT EXPORT TO THE US ANNOUNCED THAT IT HAD INCREASED ITS PRODUCTION FROM 400 TO 500 HEAD OF CATTLE PER DAY, SINCE AUGUST 13. ITS SPOKESMAN ATTRIBUTED THE HIGHER RATE TO THE EXCEPTIONALLY HIGH BEEF PRICES IN THE US. HE SAID IFAGAN EXPECTS TO KILL OVER 11,000 HEAD THIS MONTH.

SHELTON

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